



## Recommendation for Action

**File #:** 21-2656, **Agenda Item #:** 57.

8/26/2021

### Posting Language

Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin Public Improvement and Refunding Bonds, Series 2021, in a par amount not to exceed \$183,275,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving the payment of the costs of issuance, all related fees, and providing that the issuance and sale be accomplished by February 25, 2022.

### Lead Department

Treasury.

### Fiscal Note

The Fiscal Year 2022 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2021-22 Proposed Operating Budget of the General Obligation Debt Service Fund.

### Prior Council Action:

Reimbursement Resolutions approved by City Council on 3/22/2018, 3/7/2019, and 9/10/2019.

### For More Information:

Belinda Weaver, Treasurer, 512-974-7885

### Additional Backup Information:

Approval of this ordinance will authorize the issuance of up to \$183,275,000 in City of Austin Public Improvement and Refunding Bonds, Series 2021, consisting of an estimated \$101,380,000 in refunding bonds and up to \$81,895,000 in new money bonds to provide funding for:

Election Year	Description	New Money Amount
2016	Transportation/Mobility	\$20,000,000
2018	Flood Mitigation, Open Space, Water Quality Protection	22,880,000
2018	Parks and Recreation	16,995,000
2018	Health and Human Services	3,040,000
2018	Transportation Infrastructure	18,980,000
		<u>\$81,895,000</u>

The \$81,895,000 in new money is being issued to provide funding for reimbursement resolutions that were previously approved by Council. Reimbursement resolutions declare an issuer's official intent to reimburse a project's expenditure with the proceeds of obligations to be issued after the expenditure may have occurred. The action is required by IRS and U.S. Treasury rules and state law. The City generally submits reimbursement resolutions for Council consideration as a part of the annual budget adoption in September, the

same time as the new capital appropriations are adopted, or at the time of a capital budget amendment for a particular project.

The General Obligation Debt Service cost for the new money bond issuance of \$81,895,000 is estimated as follows:

	Total Over 20 Years:	Average Per Year
Principal	\$81,895,000	\$4,094,750
Interest	<u>46,184,750</u>	<u>2,309,238</u>
Total Debt Service	\$128,079,750	\$6,403,988

In addition to the new money bonds described above, approval of this ordinance will authorize the issuance of approximately \$101,380,000 in refunding bonds to refund certain outstanding debt for savings. Due to current favorable conditions in the municipal bond market and the September 1, 2021 optional redemption date of the bonds to be refunded, the City's financial advisor, PFM Financial Advisors LLC, has advised that refinancing, or "refunding" certain maturities from the City's Public Improvement Bonds Series 2011A and Certificate of Obligation Series 2011 may result in present value savings (lower debt service costs) that exceed the City's target guideline of 4.25% of the refunded bonds. Using estimated current market rates, the transaction is currently estimated to produce approximately \$19.5 million in present value savings or 19.3% of refunded par.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the bond transaction in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on Friday, February 25, 2022.

The Bonds will be issued via competitive bond sale. Electronic bids will be accepted on September 14, 2021. Bids will be verified by the City's Financial Advisor, PFM Financial Advisors, LLC, and the bonds will be awarded based on the bidder providing the City with the lowest true interest cost.

For this transaction, McCall, Parkhurst & Horton L.L.P. will serve as bond counsel, and Norton Rose Fulbright US LLP will serve as disclosure counsel.

#### **Strategic Outcome(s):**

Government that Works for All.